
Tobin & Co.

Kearney Township

Antrim County, Michigan

Audit Report

For the Year Ended March 31, 2004

Tobin & Co.

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INTRODUCTORY SECTION

Tobin & Co.

Comments and Recommendations

We have audited the general purpose financial statements of Kearney Township, Antrim County, for the year ended March 31, 2004 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's general purpose financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Kearney Township taken as a whole.

As a result of our examination, we deem it necessary to make the following comments and recommendations.

General

The records were maintained in good condition by your Clerk and Treasurer. Recorded revenues were deposited timely and intact, journals and ledgers were properly posted, Board minutes were in good order, and supporting documents and follow-up procedures appeared to be in good order.

We did note some shortcomings in the maintenance of these records and in a separate management letter, we have detailed these shortcomings and suggested measures which, if adopted, will improve the accounting records.

Budgets and Procedures

The Township prepared and adopted the required budget for its General and Special Revenue Funds.

General Fund

The General Fund is presented on Schedule 1. The Fund balance at March 31, 2004 was \$623,724. The Fire District, Library, and Ambulance taxes were handled through this Fund since the same amounts received were paid out to the Fire District, Public Library, and Ambulance Authority.

The Township may wish to consider a Public Improvement Fund, a Budget Stabilization Fund, or consider the Fund balance in future tax levies.

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Comments and Recommendations

Fire District Tax

Kearney Township is a member of a Fire District and levies a 1.5 mill property tax for fire protection. Since the amounts collected are paid over to the Fire District, receipts and disbursements are handled through the General Fund. For 2003-2004, the amount collected and paid out was \$153,457. See Schedule 1.

Library Tax

For the audit year, Kearney Township levied a .3608 mill property tax for library services. The amount collected was paid over to the Bellaire Public Library, so the receipts and disbursements were handled through the General Fund. For 2003-2004, the amount collected and paid out was \$42,089.

Ambulance Authority Tax

For the audit year, Kearney Township levied a .4661 mill property tax for ambulance services. The amount collected was paid over to the Ambulance Authority, so the receipts and disbursements were handled through the General Fund. For 2003-2004, the amount collected and paid out was \$44,977.

Road Fund

This Fund, presented on Schedule 2, was established to account for a special voted tax of .7292 mil for road maintenance and improvements. Tax collections totaled \$91,208 while road expenditures were \$89,880. The Fund balance at March 31, 2004 was \$157,854.

Special Assessments

During a prior audit year the Township established a special assessment district for construction of roads in the Swiss Village East development. The Capital Outlay and Debt Service funds related to this development are reflected on Schedules 3 and 4.

During the prior audit year, the Township established a special assessment district for the Mancelona Water Authority. The Township treasurer collects these assessments and submits them directly to the Water Authority.

Property Tax Administration Fees

A 1% Property Tax Administration fee is authorized by statute to offset such property tax administration costs as assessing, collecting, and the review and appeal process. Kearney Township levied this fee on its 2003 property taxes. Since costs exceeded fee collections by \$12,145, the Township was in compliance with statutory provisions.

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Comments and Recommendations

Property Tax Collections

1. \$38,349 of property taxes collected were not distributed to certain taxing units prior to the end of the fiscal year, as required by statutes.
2. Except as noted in No. 1 above, we commend the Treasurer for her handling of this function. Receipts were filed in order of payment, and supported by computer printouts. Deposits were timely and intact. Deposits were placed in interest bearing accounts.
3. Schedules 5 and 6 reflect the amount levied, collected, and returned delinquent for the 2003 property tax levy.

Insurance and Surety Bond Coverage

Records indicate that the Township is insured through Municipal Underwriters of Michigan and has such coverage as Fire and Extended Coverage, General Liability, Workmen's Compensation, Errors and Omissions, Crime, and Equipment. The Supervisor, Clerk, Treasurer, their deputies, and the Zoning Administrator have surety bond coverage. Insurance coverage was reviewed during the audit year.

Payroll Procedures

The Clerk observes Federal and State guidelines in the withholding of income taxes and social security. Withholdings were paid over in a timely manner, required reports were filed, and Forms W-2 were issued to employees at calendar year end. Payroll records were maintained in good order.

Other Data

Excess cash is invested by the Treasurer in interest bearing savings and money market accounts and in certificates of deposit. This resulted in earned interest of \$10,805 for which the Treasurer and other Board members are commended.

After the completion of our audit, we will mail two (2) copies of this report to the State Department of Treasury.

We appreciate the courtesy extended our field auditor in the course of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

Tobin & Co.

REPORT OF INDEPENDENT AUDITOR

To the Township Board
Kearney Township
Antrim County
Bellaire, MI 49615

We have audited the accompanying general purpose financial statements of Kearney Township as of and for the year ended March 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Kearney Township at March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund and account group financial statements and schedules listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of Kearney Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



Tobin & Co., P.C.
June 1, 2004

Combined Balance Sheet – All Fund Types and Account GroupsMarch 31, 2004

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special</u>	<u>Debt</u>
	<u>Fund</u>	<u>Revenue</u>	<u>Service</u>
		<u>Road</u>	<u>Swiss Village</u>
		<u>Fund</u>	<u>East</u>
<u>Assets</u>			
Cash in Bank	\$ 404,728	\$ 150,798	\$ 21,352
Certificates of Deposit	198,004	-	-
Petty Cash	50	-	-
Accounts Receivable	9,919	-	-
Taxes Receivable Delinquent	53,692	15,351	7,100
Special Assessments Receivable	-	-	146,758
Due from Other Funds	19,878	7,354	1,582
Land and Improvements	-	-	-
Buildings and Improvements	-	-	-
Machinery and Equipment	-	-	-
Available for Debt	-	-	-
To Be Provided for Debt	-	-	-
Total Assets	<u>\$ 686,271</u>	<u>\$ 173,503</u>	<u>\$ 176,792</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Accounts Payable	\$ 4,408	\$ -	\$ -
Due to Other Units of Government	-	-	-
Due to Other Funds	4,447	298	-
Bonds Payable	-	-	-
Deferred Revenue	<u>53,692</u>	<u>15,351</u>	<u>153,858</u>
Total	<u>62,547</u>	<u>15,649</u>	<u>153,858</u>
Fund Equity:			
Investment in General Fixed Assets	-	-	-
Fund Balance – Unreserved	<u>623,724</u>	<u>157,854</u>	<u>22,934</u>
Total	<u>623,724</u>	<u>157,854</u>	<u>22,934</u>
Total Liabilities and Fund Equity	<u>\$ 686,271</u>	<u>\$ 173,503</u>	<u>\$ 176,792</u>

The Notes to the Financial Statements are an integral part of this statement.

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Capital Project	Fiduciary Fund Types	Account Groups		Total (Memo Only)
		General Fixed Assets	General Long-Term Debt	
Swiss Village East	Agency			
\$ 39,991	\$ 62,418	\$ -	\$ -	\$ 679,287
-	-	-	-	198,004
-	-	-	-	50
-	-	-	-	9,919
-	-	-	-	76,143
-	-	-	-	146,758
-	-	-	-	28,814
-	-	13,404	-	13,404
-	-	80,557	-	80,557
-	-	62,351	-	62,351
-	-	-	22,934	22,934
-	-	-	177,066	177,066
<u>\$ 39,991</u>	<u>\$ 62,418</u>	<u>\$ 156,312</u>	<u>\$ 200,000</u>	<u>\$ 1,495,287</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,408
-	38,349	-	-	38,349
-	24,069	-	-	28,814
-	-	-	200,000	200,000
-	-	-	-	222,901
<u>\$ -</u>	<u>\$ 62,418</u>	<u>-</u>	<u>200,000</u>	<u>494,472</u>
-	-	156,312	-	156,312
<u>39,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>844,503</u>
<u>39,991</u>	<u>-</u>	<u>156,312</u>	<u>-</u>	<u>1,000,815</u>
<u>\$ 39,991</u>	<u>\$ 62,418</u>	<u>\$ 156,312</u>	<u>\$ 200,000</u>	<u>\$ 1,495,287</u>

Combined Statement of Revenues, Expenditures and Changes in Fund BalanceAll Governmental Fund TypesFor the Year Ended March 31, 2004

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>
<u>Revenues</u>			
Taxes	\$ 398,299	\$ 91,208	\$ -
Licenses and Permits	5,877	-	-
State Grants	79,327	-	-
Charges for Services	12,236	-	-
Interest and Rents	9,839	529	397
Other	<u>2,375</u>	<u>-</u>	<u>27,590</u>
Total	<u>507,953</u>	<u>91,737</u>	<u>27,987</u>
<u>Expenditures</u>			
Legislative	50,897	-	-
General Government	100,949	-	-
Public Safety	214,083	-	-
Public Works	181	89,880	-
Recreation and Culture	42,089	-	-
Other	22,826	-	-
Debt Service	<u>-</u>	<u>-</u>	<u>60,643</u>
Total	<u>431,025</u>	<u>89,880</u>	<u>60,643</u>
<u>Excess Revenues (Expenditures)</u>	76,928	1,857	(32,656)
<u>Fund Balance – Beginning of Year</u>	<u>546,796</u>	<u>155,997</u>	<u>55,590</u>
<u>Fund Balance – End of Year</u>	<u>\$ 623,724</u>	<u>\$ 157,854</u>	<u>\$ 22,934</u>

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

<u>Capital Project Funds</u>	<u>Total (Memo Only)</u>
\$ -	\$ 489,507
-	5,877
-	79,327
-	12,236
40	10,805
<u>-</u>	<u>29,965</u>
<u>40</u>	<u>627,717</u>
-	50,897
-	100,949
-	214,083
-	90,061
-	42,089
-	22,826
<u>-</u>	<u>60,643</u>
<u>-</u>	<u>581,548</u>
40	46,169
<u>39,951</u>	<u>798,334</u>
<u>\$ 39,991</u>	<u>\$ 844,503</u>

Statement of Revenues, Expenditures and Changes in Fund BalanceBudget and ActualGeneral, Special Revenue and Debt Service FundsFor the Year Ended March 31, 2004

	<u>General Fund</u>		
	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<u>Revenues</u>			
Taxes	\$ 377,891	\$ 398,299	\$ 20,408
Licenses and Permits	3,010	5,877	2,867
State Grants	76,000	79,327	3,327
Charges for Services	13,520	12,236	(1,284)
Interest and Rents	3,000	9,839	6,839
Other	1,000	2,375	1,375
Total	<u>474,421</u>	<u>507,953</u>	<u>33,532</u>
<u>Expenditures</u>			
Legislative	57,450	50,897	6,553
General Government	120,083	100,949	19,134
Public Safety	265,851	214,083	51,768
Public Works	250	181	69
Recreation and Culture	43,700	42,089	1,611
Other	32,144	22,826	9,318
Capital Outlay	1,500	-	1,500
Debt Service	-	-	-
Total	<u>520,978</u>	<u>431,025</u>	<u>89,953</u>
<u>Excess Revenues (Expenditures)</u>	(1) <u>\$ (46,557)</u>	76,928	<u>\$ 123,485</u>
<u>Fund Balance – Beginning of Year</u>		<u>546,796</u>	
<u>Fund Balance – End of Year</u>		<u>\$ 623,724</u>	
(1) Budgeted from Fund Balance			

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Special Revenue Fund			Debt Service Fund		
Road Fund			Swiss Village East Special Assessment		
Amended Budget	Actual	Favorable (Unfavorable)	Amended Budget	Actual	Favorable (Unfavorable)
\$ 83,800	\$ 91,208	\$ 7,408	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
960	529	(431)	-	397	397
-	-	-	35,388	27,590	(7,798)
<u>84,760</u>	<u>91,737</u>	<u>6,977</u>	<u>35,388</u>	<u>27,987</u>	<u>(7,401)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
89,880	89,880	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	60,643	60,643	-
<u>89,880</u>	<u>89,880</u>	<u>-</u>	<u>60,643</u>	<u>60,643</u>	<u>-</u>
<u>\$(1) (5,120)</u>	1,857	<u>\$ 6,977</u>	<u>\$(1) (25,255)</u>	(32,656)	<u>\$ (7,401)</u>
	<u>155,997</u>			<u>55,590</u>	
	<u>\$ 157,854</u>			<u>\$ 22,934</u>	

Tobin & Co.

Kearney Township

Notes to Financial Statements

March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Kearney Township is a general law township located in Antrim County. Population as of the 2000 census was 1,764, and the current state equalized valuation for taxable property is \$156,195,900. Taxable valuation is \$121,392,344.

The Township's general purpose financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*", includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The financial activities of the Township are recorded in separate self-balancing funds and account groups categorized and described as follows:

Governmental Funds

General Fund – This Fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These Funds are used to account for specific governmental revenues (other than debt service and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative actions.

Debt Service Funds – These Funds are used to record the payment of interest and principal on long-term general obligation debt.

Capital Project Funds – These Funds are used to account for revenues and other financing sources received for public improvement expenditures of a major nature.

Fiduciary Funds

These Funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Tobin & Co.

Kearney Township

Notes to Financial Statements

March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Account Groups

General Fixed Assets – This account group presents the fixed assets of the Township utilized in its general operations (non-proprietary fixed assets).

General Long-Term Debt – This account group is used to record the unmatured principal of long-term general obligations of the Township which are not accounted for within a specific fund.

C. Basis of Accounting

All governmental funds and fiduciary funds which are agency funds utilize the modified accrual basis of accounting. Under this method, revenues are recognized when received in cash except for those susceptible to accrual, which are recorded as receivables when measurable and as revenue when available to finance current operations. Significant revenues susceptible to accrual include property taxes, expenditure reimbursement type grants, certain intergovernmental revenues and operating transfers. Expenditures are recorded when the liability is incurred, except for interest on long-term debt, which is recorded when paid.

D. Measurement Focus

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

E. Budgets

The General Fund and Special Revenue Fund are under formal budgetary control. Budgets shown in the financial statements for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budgets approved and amended by the Township.

In the body of the financial statements, the Township’s actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

Tobin & Co.

Kearney Township

Notes to Financial Statements

March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets (continued)

For budgetary purposes appropriations lapse at fiscal year end.

F. Fixed Assets and long-term Liabilities

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain general fixed assets consisting of roads, bridges, curbs, gutters, streets, sidewalks, drainage systems and lighting systems are excluded from general fixed assets because such items are immovable and of value only to the Township. General fixed assets are not subject to annual depreciation expense. It is the policy of the Township not to capitalize interest costs incurred in the construction of fixed assets.

Fixed assets are recorded at historical cost. Donated fixed assets are valued and recorded at the fair market value at date of receipt.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Long-term liabilities expected to be financed from proprietary funds are accounted for within these funds.

G. Property Tax Procedures and Collections

Properties are assessed as of December 31, and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of property tax collections to the various taxing units (County, School District, etc.) as required by statute.

Tobin & Co.

Kearney Township

Notes to Financial Statements

March 31, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property Tax Procedures and Collections (continued)

For the fiscal year the Township levied property taxes as follows:

	<u>SEV</u>	<u>Taxable Value</u>	<u>Millage Rate</u>
General Operating	\$156,195,900	\$121,392,344	.9330
Fire Protection	\$156,195,900	\$121,392,344	1.5000
Roads	\$156,195,900	\$121,392,344	.7292
Library	\$156,195,900	\$121,392,344	.3608
Ambulance	\$156,195,900	\$121,392,344	.4661

H. Investments

Township investments at March 31, 2004 consisted of \$630,481 in bank money market and LUG fund accounts composed of investment vehicles which are legal for direct investments by local units of government in Michigan. These are reported as cash in bank on the Township balance sheet.

I. Special Assessment Revenue

Special Assessment Revenue is recognized in the year of levy. The Township has elected to recognize advance payments of special assessments as revenue upon receipt rather than allocating a portion of such payments to each year's levy.

J. Total Column

The "total" column on the general purpose financial statements is captioned "memo only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Inter-fund transactions have not been eliminated in the aggregation of this data.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tobin & Co.

Kearney Township

Notes to Financial Statements

March 31, 2004

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provision of various agreements related to financial matters.
- B. All funds had positive fund balances at March 31, 2004.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2004, the Township complied with the provisions of Public Act 621.

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- 1. In bonds, securities, and other direct obligations of the United States or an agency or instrumentality of the United States.
- 2. In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- 3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- 4. Repurchase agreements consisting of instruments defined in (1) above.
- 5. In bankers' acceptances of United States Banks.
- 6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

Tobin & Co.

Kearney Township

Notes to Financial Statements

March 31, 2004

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

A. Legal Provisions for Deposits and Investments (Continued)

7. In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had \$933,656 deposited with local banks at March 31, 2004 with a carrying value of \$877,291. Interpreting the FDIC insurance coverage of \$100,000 per demand deposit account and \$100,000 per time deposit account in each depository, the Township had uninsured deposits of \$528,185 at March 31, 2004.

NOTE 4 - SUMMARY OF CHANGES IN GENERAL FIXED ASSETS

	<u>03/31/03</u>	<u>Additions</u>	<u>Dispo- sitions</u>	<u>03/31/04</u>
Land and Improvements	\$ 13,404	\$ -	\$ -	\$ 13,404
Buildings and Improvements	80,557	-	-	80,557
Machinery and Equipment	11,638	343	-	11,981
Furniture and Equipment	<u>50,072</u>	<u>298</u>	<u>-</u>	<u>50,370</u>
Total	<u>\$ 155,671</u>	<u>\$ 641</u>	<u>\$ -</u>	<u>\$ 156,312</u>

NOTE 5 - LONG-TERM DEBT

On April 20, 1999 the Township issued \$295,000 in special assessment bonds for the purpose of road construction, with the bonds to be paid back over 15 years with the collection of special assessments of the affected property owners. Principal is payable every April 1 beginning April 1, 2001 and interest is payable every April 1 and October 1, beginning April 1, 2001 at rates from 3.7% to 5.5%.

Tobin & Co.

Kearney Township

Notes to Financial Statements

March 31, 2004

NOTE 5 - LONG-TERM DEBT (Continued)

Debt service requirements to maturity:

<u>March 31,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 20,000	\$ 8,690
2006	20,000	7,860
2007	20,000	7,010
2008	20,000	6,140
2009	20,000	5,250
2010	20,000	4,340
2011	20,000	3,410
2012	20,000	2,460
2013	20,000	1,490
2014	<u>20,000</u>	<u>500</u>
	<u>\$200,000</u>	<u>\$ 47,150</u>

NOTE 6 - ACCOUNTS PAYABLE

As of March 31, 2004 the General Fund owed vendors \$4,408 for current operating expenses.

NOTE 7 - LOANS AND TRANSFERS BETWEEN FUNDS

The balances of loans between funds at March 31, 2004 were:

	<u>General Fund</u>	<u>Road Fund</u>	<u>Current Property Tax Coll. Fund</u>	<u>Total</u>
Due From:				
Due To:				
General Fund	\$ -	\$ 299	\$ 19,579	\$ 19,878
Road Fund	4,447	-	2,907	7,354
Swiss Village East Debt Service Fund	<u>-</u>	<u>-</u>	<u>1,582</u>	<u>1,582</u>
Total	<u>\$ 4,447</u>	<u>\$ 299</u>	<u>\$ 24,068</u>	<u>\$ 28,814</u>

NOTE 8 - INVENTORIES

Kearney Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses at time of purchase.

Tobin & Co.

Kearney Township

Notes to Financial Statements

March 31, 2004

NOTE 9 - PENSION PLAN

The Township participates in a defined contribution plan through Manufacturers Life Insurance. By Board resolution the township contributes 15% of the treasurer, clerk and supervisor salaries and 15% of trustees' salaries to a maximum of \$200 per year. The township will pay 100% of the annual contribution.

The plan covers all elected officials with immediate 100% vesting.

The plan is administered by the Township Clerk.

For 2003-2004, Township contributions to the plan were \$7,959. Covered payroll for the year was \$49,193 with a total payroll for all employees of \$65,839.

The Township provides social security coverage for its officials and employees.

NOTE 10-SPECIAL ASSESSMENTS/TAXES RECEIVABLE

The delinquent taxes receivable of \$53,692 and \$15,351 in the General Fund and Road Fund respectively, represent 2003 real property taxes and property tax administration fees returned to the County Treasurer for collection as of March 31, 2004. Special assessments receivable consist of \$7,100 of delinquent receivables returned to the County Treasurer for collection and deferred receivables of \$146,758. Revenue recognition is deferred until the following year or later since the above amounts are not available for expenditure of obligations of the audit year.

NOTE 11-PROPERTY TAX ADMINISTRATIONS FEES

As permitted by statute, the Township levied a 1% administration fee on all 2003 taxes. These fees may be used only to offset such property tax administration costs as assessing, collecting and the review and appeal process. For the audit year, administration costs exceeded fee collections by \$12,145. The Township has accumulated excess costs of \$123,766 and is in compliance with statutory requirements.

NOTE 12-COMPENSATED ABSENCES

This Township does not provide for payment to employees for unused sick leave, accumulated leave, etc.

Tobin & Co.

Kearney Township

Notes to Financial Statements

March 31, 2004

NOTE 13-CONTINGENT LIABILITIES

Township officials are aware of no contingent liabilities as of March 31, 2004.

NOTE 14-RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Kearney Township

Schedule 1

Page 1

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

<u>Revenues</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Taxes:			
Current Taxes	\$ 303,872	\$ 314,589	\$ 10,717
Delinquent Taxes	50,036	50,089	53
Swamp Tax	1,200	1,196	(4)
Other Property Taxes	118	118	-
Penalties and Interest on Taxes	300	967	667
Property Tax Administration Fees	22,365	31,340	8,975
Licenses and Permits:			
Zoning Permits and Dog Licenses	3,010	5,877	2,867
State Grants:			
State Shared Revenues	76,000	79,327	3,327
Charges for Services:			
Summer Tax Collection	11,600	11,436	(164)
Fees	1,410	270	(1,140)
Sales	310	300	(10)
Land Splits	200	230	30
Interest and Rents:			
Interest	3,000	9,839	6,839
Other:			
Miscellaneous	-	105	105
Refunds and Reimbursements	<u>1,000</u>	<u>2,270</u>	<u>1,270</u>
Total Revenues	<u>474,421</u>	<u>507,953</u>	<u>33,532</u>
<u>Expenditures</u>			
Legislative:			
Township Board:			
Salaries and Wages	-	2,780	-
Supplies	-	1,629	-
Postage	-	269	-
Legal and Contractual	-	5,978	-
Printing and Publishing	-	1,334	-
Dues	-	2,190	-
Other	<u>-</u>	<u>36,717</u>	<u>-</u>
Total Legislative	<u>57,450</u>	<u>50,897</u>	<u>6,553</u>

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kearney Township

Schedule 1
Page 2

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>			
General Government:			
Township Supervisor:			
Salaries and Wages	-	12,133	-
Supplies	-	97	-
Total	<u>12,650</u>	<u>12,230</u>	<u>420</u>
Elections:			
Supplies	-	116	-
Total	<u>1,300</u>	<u>116</u>	<u>1,184</u>
Assessor:			
Supplies	-	1,587	-
Contractual Services	-	23,224	-
Other	-	2,311	-
Total	<u>29,390</u>	<u>27,122</u>	<u>2,268</u>
Clerk:			
Salaries and Wages	-	18,698	-
Supplies	-	374	-
Transportation	-	55	-
Maintenance and Repairs	-	325	-
Total	<u>21,448</u>	<u>19,452</u>	<u>1,996</u>
Board of Review:			
Salaries and Wages	-	1,050	-
Printing and Publishing	-	50	-
Total	<u>1,100</u>	<u>1,100</u>	<u>-</u>

The Notes to the Financial Statements are an integral part of this statement.

Tobin & Co.

Kearney Township

Schedule 1

Page 3

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Expenditures (Continued)</u>			
General Government (Continued):			
Treasurer:			
Salaries and Wages	-	16,695	-
Supplies	-	1,683	-
Postage	-	4,151	-
Contractual Services	-	2,626	-
Transportation	-	19	-
Printing and Publishing	-	213	-
Other	-	51	-
Total	<u>32,645</u>	<u>25,438</u>	<u>7,207</u>
Township Hall and Grounds:			
Supplies	-	853	-
Communications	-	4,329	-
Public Utilities	-	2,043	-
Maintenance and Repairs	-	6,668	-
Total	<u>18,500</u>	<u>13,893</u>	<u>4,607</u>
Cemetery:			
Salaries and Wages	-	1,152	-
Supplies	-	378	-
Maintenance	-	68	-
Total	<u>3,050</u>	<u>1,598</u>	<u>1,452</u>
Total General Government	<u>120,083</u>	<u>100,949</u>	<u>19,134</u>
Public Safety:			
Ambulance Services:			
Contractual Services	<u>44,977</u>	<u>44,977</u>	<u>-</u>
Total	<u>44,977</u>	<u>44,977</u>	<u>-</u>

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kearney Township

Schedule 1

Page 4

Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (Continued):			
Public Safety (Continued):			
Fire Protection:			
Contractual Services	<u>176,776</u>	<u>153,457</u>	<u>23,319</u>
Total	<u>176,776</u>	<u>153,457</u>	<u>23,319</u>
Zoning:			
Salaries and Wages	<u>-</u>	<u>6,748</u>	<u>-</u>
Supplies	<u>-</u>	<u>309</u>	<u>-</u>
Total	<u>8,378</u>	<u>7,057</u>	<u>1,321</u>
Planning:			
Salaries and Wages	<u>-</u>	<u>7,126</u>	<u>-</u>
Supplies	<u>-</u>	<u>190</u>	<u>-</u>
Printing and Publishing	<u>-</u>	<u>50</u>	<u>-</u>
Other	<u>-</u>	<u>550</u>	<u>-</u>
Total	<u>34,320</u>	<u>7,916</u>	<u>26,404</u>
Zoning Board of Appeals:			
Salaries and Wages	<u>-</u>	<u>390</u>	<u>-</u>
Printing and Publishing	<u>-</u>	<u>36</u>	<u>-</u>
Other	<u>-</u>	<u>250</u>	<u>-</u>
Total	<u>1,400</u>	<u>676</u>	<u>724</u>
Total Public Safety	<u>265,851</u>	<u>214,083</u>	<u>51,768</u>
Public Works:			
Street Lighting	<u>250</u>	<u>181</u>	<u>69</u>
Total Public Works	<u>250</u>	<u>181</u>	<u>69</u>

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kearney Township

Schedule 1
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Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Expenditures (Continued):			
Recreation and Culture:			
Library	41,200	42,089	(889)
Park	<u>2,500</u>	<u>-</u>	<u>2,500</u>
Total Recreation and Culture	<u>43,700</u>	<u>42,089</u>	<u>1,611</u>
Other:			
Employee Benefits and Insurance	27,200	22,826	4,374
Contingencies	<u>4,944</u>	<u>-</u>	<u>4,944</u>
Total	<u>32,144</u>	<u>22,826</u>	<u>9,318</u>
Capital Outlay:	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total Expenditures	<u>520,978</u>	<u>431,025</u>	<u>89,953</u>
<u>Excess Revenues (Expenditures)</u>	(1) <u>\$ (46,557)</u>	76,928	<u>\$ 123,485</u>
<u>Fund Balance</u> – Beginning of Year		<u>546,796</u>	
<u>Fund Balance</u> – End of Year		<u>\$ 623,724</u>	

(1) Budgeted from Fund Balance.

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kearney Township

Schedule 2

Statement of Revenues, Expenditures and Changes in Fund Balance

Road Fund

For the Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Taxes:			
Current Taxes	\$ 68,700	\$ 89,415	\$ 20,715
Delinquent Taxes	15,100	1,793	(13,307)
Interest and Rents:			
Earned Interest	<u>960</u>	<u>529</u>	<u>(431)</u>
Total	<u>84,760</u>	<u>91,737</u>	<u>6,977</u>
<u>Expenditures</u>			
Road Improvements	<u>89,880</u>	<u>89,880</u>	<u>-</u>
Total Expenditures	<u>89,880</u>	<u>89,880</u>	<u>-</u>
<u>Excess Revenues (Expenditures)</u>	(1) <u>\$ (5,120)</u>	1,857	<u>\$ 6,977</u>
<u>Fund Balance</u> – Beginning of Year		<u>155,997</u>	
<u>Fund Balance</u> – End of Year		<u>\$ 157,854</u>	
(1) Budgeted from Fund Balance			

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kearney Township

Schedule 3

Statement of Revenues, Expenditures and Changes in Fund Balance

Swiss Village East Debt Service Fund

For the Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Interest and Rents:			
Interest	\$ -	\$ 397	\$ 397
Other:			
Special Assessments	<u>35,388</u>	<u>27,590</u>	<u>(7,798)</u>
Total	<u>35,388</u>	<u>27,987</u>	<u>(7,401)</u>
<u>Expenditures</u>			
Debt Service	<u>-</u>	<u>60,643</u>	<u>-</u>
Total	<u>60,643</u>	<u>60,643</u>	<u>-</u>
<u>Excess Revenues (Expenditures)</u>	(1) <u>\$ (25,255)</u>	<u>(32,656)</u>	<u>\$ (7,401)</u>
<u>Fund Balance</u> – Beginning of Year		<u>55,590</u>	
<u>Fund Balance</u> – End of Year		<u>\$ 22,934</u>	

(1) Budgeted from Fund Balance

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kearney Township

Schedule 4

Statement of Revenues, Expenditures and Changes in Fund Balance

Swiss Village East Capital Outlay Fund

For the Year Ended March 31, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Interest and Rents:			
Interest	\$ -	\$ 40	\$ 40
Total	-	40	40
<u>Expenditures</u>	-	-	-
Total	-	-	-
<u>Excess Revenues (Expenditures)</u>	(1) \$ -	40	\$ 40
<u>Fund Balance</u> – Beginning of Year		39,951	
<u>Fund Balance</u> – End of Year		\$ 39,991	

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kearney Township

Schedule 5

Statement of Changes in Assets and Liabilities

Current Tax Collection Fund

For the Year Ended March 31, 2004

	<u>Balance</u> <u>03/31/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>03/31/04</u>
<u>Assets</u>				
Cash	\$ 31,330	\$ 3,652,003	\$ 3,620,915	\$ 62,418
Total Assets	<u>\$ 31,330</u>	<u>\$ 3,652,003</u>	<u>\$ 3,620,915</u>	<u>\$ 62,418</u>
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 259	\$ 3,101,342	\$ 3,063,252	\$ 38,349
Due to Other Funds	<u>31,071</u>	<u>550,661</u>	<u>557,663</u>	<u>24,069</u>
Total Liabilities	<u>\$ 31,330</u>	<u>\$ 3,652,003</u>	<u>\$ 3,620,915</u>	<u>\$ 62,418</u>

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kearney Township

Schedule 6

2003 Property Tax Levy and Collections

For the Year Ended March 31, 2004

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	(1) 6.2178	\$ 755,817	\$ 624,903	\$ 130,914
State Education	5.0000	607,811	520,942	86,869
School District	18.9000	1,719,350	1,430,787	288,563
School District	19.5000	143	21	122
Intermediate School District	2.9929	363,739	311,763	51,976
Intermediate School District	2.6854	54	37	17
Township:				
General	0.9330	113,405	93,762	19,643
Roads	0.7292	88,629	73,278	15,351
Library	0.3608	43,845	36,251	7,594
Ambulance	0.4661	56,646	46,835	9,811
Fire Special Assessment	1.5000	163,579	135,588	27,991
Special Assessment – Roads		25,811	18,711	7,100
Special Assessment – Water		<u>121,299</u>	<u>97,929</u>	<u>23,370</u>
Total		<u>\$ 4,060,128</u>	<u>\$ 3,390,807</u>	<u>\$ 669,321</u>

Percent of Levy Collected 83.51%

(1) Includes .3811 mil for Commission on Aging
and .6900 mil for Meadowbrook Medical Care Facility

The Notes to the Financial Statements are an integral part of this statement

Tobin & Co.

Kearney Township

Schedule 7

Statement of Revenues and Expenditures

Property Tax Administration Fees

For the Year Ended March 31, 2004

Revenues

Property Tax Administration Fees	\$ 31,340
Total	<u>31,340</u>

Expenditures

Assessor	27,122
Board of Review	1,100
Treasurer – 60%	<u>15,263</u>
Total	<u>43,485</u>

<u>Excess Revenues (Expenditures)</u>	(12,145)
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<u>Excess Revenues (Expenditures) – Prior Years</u>	<u>(111,621)</u>
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<u>Excess Revenues (Expenditures) - Accumulated</u>	<u>\$(123,766)</u>
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The Notes to the Financial Statements are an integral part of this statement